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EXECUTIVE COMMITTEE MEETING NO. 12

Monday, 13 August 1962 ■ 3:00 p.m.

Present were: Mr. McCone
General Carter
Mr. Helms
Mr. Cline
Dr. Scoville
Mr. Sheldon for DD/I
Mr. Lloyd for DD/S
Mr. Kirkpatrick
Mr. Earman
Mr. Bross
Mr. Warner for General Counsel
Mr. R. Jack Smith
Mr. Abbot Smith

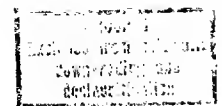
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1. SAC Dissent of Intelligence Community Estimates

Mr. McCone recounted a luncheon conversation with Air Force Secretary Zuchert and Generals LeMay and McKee concerning SAC estimates relative to Soviet ICBM capabilities. Although General Breitweiser's estimates are on the low side, according to General LeMay, they are still lower than those of General Powers who is critical of NIE 11-8. Mr. McCone feels that we should be prepared to go with General LeMay to Omaha to talk to General Powers.

General Carter suggested, since the SAC people are disputing the National Board of Estimates figures, which the USIB approved (with noted dissents by the Air Force and the Army) and which the Hyland Panel reviewed and supported, that the SAC people be invited here. Or, as General Carter further suggested, possibly they could all meet at Colorado Springs with General Gerhart of NORAD which would place the discussions in a neutral atmosphere. NORAD also have their own estimates.

Dr. R. Jack Smith, noting the smokescreen demonstration effect of SAC briefings, feels that SAC will not deal with the estimates substantively because SAC considers this a command problem rather than a substantive problem. Evidence makes no impression upon them, he believes.

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State Department review completed

Other members, voicing general unanimity, described SAC's estimates of ICBM launching sites, as opposed to the number of launchers identified by other members of the intelligence community, as "camouflaged subordination" and theatrical presentations."

2. Hanson Baldwin Article

In discussing the Hanson Baldwin article, Mr. McCone revealed that the Baker assessment considers it a damaging exposure. Calling the FBI in on these investigations is a mistake, according to the DCI. Mr. McCone requested a recommended action. Mr. Kirkpatrick stated that Mr. [] is already working on this, and it would be ready by Wednesday, the 15th.

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3. NSAM 173 Concerning "Interdepartmental Field Visits"

Mr. McCone described his differences with the concept of investigation or inspection of Agency clandestine activities, of review of Agency directives and []. He asked Mr. Kirkpatrick to identify, through State Assistant Secretary Orrick, the caliber of State representatives and recommended we select senior officials from the DD/I rather than the DD/P as our representatives. He also said that we should match State level-for-level.

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4. Early Retirement

While discussing the program of implementing legislation, Mr. Bross received a telephone call from Mr. Amory informing him that the Bureau of the Budget has no objection to the legislation. The package now goes to the Speaker and to the President of the Senate.

5. Funding of NPIC

At a recent meeting of the Financial and Policy Budget Committee, the question of future funding of NPIC was discussed. A study group, headed by Budget Officer [] recommended that the Department of Defense should continue to render technical support to NPIC, but that it would be impractical to look to the Defense Department for an increase in funds over which they now contribute. There was a split in the FPB Committee as to whether the Department of Defense should pay up to one half of the costs of NPIC and contribute up to one half of the support personnel.

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Mr. Sheldon observed that the Bureau of the Budget is interested in keeping DIA from setting up a competing organization to NPIC; and, Dr. Scoville noted that, based upon Agency-imposed ceilings on funds and personnel, it will take relatively more of each during succeeding years.

Mr. McCone, perceiving a basic problem of control of a national intelligence facility and asset, directed Mr. Bross and Dr. Scoville to ferret out what we are spending on reconnaissance. In the meantime, Mr. McCone authorized our continued picking up the tab for NPIC.



Executive Secretary

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Mr. McC
Gen C
Kirk
Helms
Eline
Sheldon

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13 Aug 62

Lloyd
Arman
Bross
Scoville
Harner
Abbot Smith 25X1
R. Jack Smith

Mr. McC - Lunch. Conversations w/ Zuckert,
Gen LeMay & McKee. Talk w/ Gen
Powers re ICBM capability. Brit w's
estimates on low side, accdg to LeMay,
but lower than Powers. Critical of
11-8. 131 identified party (AF);

Hyland 112 accdg to ^{NIE 11-8.} ONE/1518. McC: The
Panel also should be prepared to go out there
disagrees w/ SAC. & talk to Powers w/ LeMay. Gen C:
after 3 days of going into this in June. Suggest they come in here; Powers
is the one disputing the figures.
Ok, meet at Colo. Springs w/ Gen
Gearhart of NORAD for mutual atmosphere.

Jack Smith: SAC will deal w/ the
estimates substantively. The smoke screen
demonstration effect of SAC briefing. A command
prob; not a substantive prob. Evidence
makes no impression.

MSC: It's camouflaged insubordination.
Abbot Smith: ... theatrical presentation.

*State Assessment; a
damaging exposure*

2. McC: Hanson Baldwin article. Calling
FBI in on these investigations is a mistake.

McC: Get a recommendation of action.

LBK: already working on this.

LBK: Will be ready by Wed.

3. NSAM 173: "Intercepted Field Visits."

*Differences: or inspecting
Investigating Agency activities.
Review of Agency directives.*

St.
Det
CIA
AID
OSIA

State sets right of Agency nominees.

McC: Find out first who St. is going
to have. We shd select Sr. officials, but
from DD/I rather DD/P. People like Abbott
Smith or some of Jack Smith's Sr. people.
Match them level-for-level.

LBK will find out from Christ.

3. Early Retirement.

Bross: BOB wants to review
implementing legislation. Change some
words. BOB: no objection.

Now goes to Speaker + Pres of
Senate. We also touch base w/ other
Will people.

Venus



4. Funding of NPIC.

Bross: manning by joint support suggested by BOB. Study grp, headed by [] found that DOD shd continue to render tech support but that funding - - -

Sheeldon: BOB interested in keeping DIA from setting up competing org by integrating them in NPIC.

Leaville: Based upon ceiling of funds & pers. . . each yr it will take relatively more.

MCC: 2 probs:

1) control of ^{facility &} natl intel asset.

example: [] NSA

2) ?

Get out what we spend on recon.

> Continued picking up bill for NPIC.

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CENTRAL INTELLIGENCE AGENCY

WASHINGTON 25, D. C.

OFFICE OF THE DIRECTOR

7 August 1962

Honorable David E. Bell
Director
Bureau of the Budget
Washington 25, D. C.

Dear Mr. Bell:

In his letter to you of 2 August 1962, the Director of Central Intelligence submitted for clearance by the Bureau of the Budget a draft bill "To amend the Central Intelligence Agency Act of 1949, as amended, and for other purposes." Enclosed as Attachment 1 is an estimate of the costs of the proposed legislation prepared by the Agency after discussion with persons experienced in the field in the Department of State and the Civil Service Commission.

For your assistance in considering the proposed bill, there is enclosed, as Attachment 2, a chart which is a comparison of the pertinent provisions of the Foreign Service Retirement System and the Civil Service Retirement Act. This chart is based on a similar chart appearing in the Report of the House Committee on Foreign Affairs in the 2nd session of the 86th Congress. The chart was prepared at that time in connection with proposed amendments to the Foreign Service Act of 1946, as amended, relating to the retirement system which proposals were subsequently enacted into law. Enclosed as Attachment 3 are selected cases which illustrate the annuities payable in various situations under the Foreign Service Retirement System as contrasted with the Civil Service Retirement Act.



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qualified under the Agency criteria to come within the proposed retirement system. Simply serving a tour abroad will not automatically or of itself qualify an individual for coverage under the new system. Of the total group, we have estimated that a maximum of only 4500 will demonstrate the required career orientation and fully satisfy the eligibility criteria. This reflects the Agency concept of strict application of the criteria.

I would like to express my appreciation for the efforts of your office in assisting the Agency and the prompt attention which our request has received.

Faithfully yours, .



Marshall S. Carter
Lieutenant General, USA
Acting Director

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Enclosures - 3

Att 1

Att 2

Att 3

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RESUME

1. Purpose of proposed bill: To improve CIA's retirement program by authorizing the establishment of a system corresponding to the Foreign Service system for certain limited numbers of employees.

2. Problem: Civil Service retirement system applicable to Agency employees makes inadequate provision for those officers whose careers must be shortened because of the special requirements and conditions of Agency service.

3. Discussion:

a. Need for careerists: CIA requires people possessing unique qualifications and motivation who must be trained and developed through service with the Agency in highly specialized fields of endeavor. Moreover, these people are obligated to serve when and where they are needed at the Agency's direction, as are members of the military and the Foreign Service.

b. Requirements and conditions of service which shorten careers:

(1) Stresses and strains of service in foreign intelligence operations require a high degree of such youthful characteristics as vigor, vitality, endurance, and adaptability.

(2) The utility of an officer in overseas service is inhibited or destroyed if his cover is "blown." However, the longer an officer serves under cover, the greater the risk that his true employment affiliation will be inadvertently revealed to or inferred by hostile parties.

(4) "Motivational exhaustion" limits the individual's ability and desire to remain in overseas operations for a full career span. It is defined as a gradual lessening of interest and enthusiasm which results from impingements on personal and family life occasioned by the transient nature of assignments, complications and restrictions of "living one's cover," and intrusions on family life of performing cover and Agency jobs concurrently.

(5) Health hazards result in physical impediments affecting an officer or a member of his family which limit or preclude overseas service.

c. Need to adjust to changing personnel requirements: The dynamic nature of intelligence operations produces sudden and sometimes radical shifts in the types of personnel required. Completion of a mission of a temporary nature or a shift in emphasis or direction of operations may result in an overabundance

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EXCLUDED FROM
AUTOMATIC DOWNGRADING
AND DECLASSIFICATION

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of officers who are skilled in a relatively narrow field of operations. Such changes cannot always be met by retraining of the individuals whose primary qualifications thus become obsolete or unneeded and they become "occupationally surplus." For example, the responsibility of the Agency for covert cold war functions and continuance of counter-insurgency activities require the Agency to employ numbers of individuals whose skills are not necessarily adaptable to full-term careers.

d. Adequate provision for retirement in a program of managed attrition: As a result of the factors described above, the Agency finds it increasingly necessary to impose manpower controls to ensure appropriate alignment as to age, qualifications, and other characteristics of the body of employees engaged in foreign intelligence operations. Imbalances should be and have been corrected by the reassignment within the Agency of those officers who cannot or should not continue in such work. However, encouraged and induced attrition will also be necessary. Intelligence skills are not readily transferrable to other fields of work and careerists who must enter other fields encounter difficulty in maintaining a salary level comparable to that attained during their intelligence careers. Therefore, a program of managed attrition must be linked to a system of retirement benefits which are sufficient to induce an individual to take the risk of being separated before serving a full-term career.

4. Adaptability of Foreign Service retirement system to Agency's needs: In addition to the special requirements of cover and security which are applicable to Agency employment, those individuals engaged in foreign intelligence operations are subject to essentially the same conditions of service which were the basis for the Foreign Service retirement system.

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6. Cost estimates: When the proposed retirement program is fully developed,

2 August 1962

Honorable David E. Bell
Director
Bureau of the Budget
Washington, D. C.

Dear Mr. Bell:

In accordance with Bureau of the Budget Circular A-19, revised, there are enclosed four copies of a draft bill, "To amend the Central Intelligence Agency Act of 1949, as amended, and for other purposes." This bill is submitted for clearance by the Bureau of the Budget prior to submission to the Congress. Also enclosed are copies of the explanation and justification which are necessarily classified SECRET, together with proposed letters of transmittal to the President of the Senate and the Speaker of the House.

The proposed legislation would authorize the Director of Central Intelligence to establish a retirement and disability system corresponding to that available to Foreign Service Officers for certain limited numbers of Agency employees. We have studied most carefully the subject of an appropriate retirement program for these employees and have concluded that the proposed bill would fulfill our requirements. Consequently, I consider its enactment into law essential to the effective performance of our mission.

I am aware of the normal procedures required in the processing of proposed legislation. I believe this bill warrants special consideration and I urgently request you to give this matter high priority since we are hopeful of having legislation introduced and passed in this session of the Congress. If there is any additional information needed or if there is any way this Agency can assist in your consideration of the proposed bill, I assure you of our willingness to cooperate in every way possible.

Sincerely,

/s/

John A. McCone
Director

Enclosures - 4

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A BILL

To amend the Central Intelligence Agency Act of 1949, as amended, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Central Intelligence Agency Act Amendments of 1962."

Sec. 2. Section 4 of the Central Intelligence Agency Act of 1949, as amended, and the heading thereto is amended to read as follows:

"Officer and Employee Allowances and Benefits

"Sec. 4. In the performance of the functions of the Central Intelligence Agency, the Director is authorized:

(a) to adopt or apply to officers and employees of the Agency such provisions, as he may determine to be necessary and appropriate, of the Foreign Service Act of 1946, as heretofore or hereafter amended, and of any other law pertaining specifically, or generally applicable, to Foreign Service officers, Foreign Service reserve officers, and Foreign Service staff officers and employees;

(b) to exercise with respect to officers and employees of the Agency such authorities, as he may determine to be necessary and appropriate, available to the Secretary of State under provisions of any such laws in order to make available to Agency officers and employees similar benefits, rights, privileges, and allowances authorized thereunder;

(c) to prescribe regulations for the granting of officer and employee allowances and benefits and for the exercise of the authorities set forth in this section."

Sec. 3. Section 5 of the Central Intelligence Agency Act of 1949, as amended, is amended by the addition of a new paragraph (g) as follows:

"(g) Under such regulations as the Director may prescribe the Director is authorized to exercise the authority available to the Secretary of State with respect to the establishment of a retirement and disability system under Title VIII of the Foreign Service Act of 1946, as heretofore or hereafter amended, in order to establish a corresponding retirement and disability system for such individuals and classes or groups of Agency officers and employees as he may designate from time to time."

EXPLANATION AND JUSTIFICATION

1. Purpose of Proposed Bill

a. The proposed bill permits the Central Intelligence Agency to improve its retirement program by authorizing the establishment of a retirement system corresponding to that of the Foreign Service. The Agency needs to attract and retain a force of highly qualified careerists in spite of its inability in fact to provide full-term careers for many individual officers. In order to minimize the adverse effects of necessary programs of managed attrition and to preserve its ability to recruit and retain the high caliber personnel it needs, the Agency must make reasonable provision for the future of those individuals who must be separated before completing a full-term career of thirty or so years. Therefore, Section 3 of the proposed bill adds a new paragraph (g) to Section 5 of the Central Intelligence Agency Act of 1949, as amended, authorizing the Director of Central Intelligence to exercise the authority available to the Secretary of State under Title VIII of the Foreign Service Act of 1946, as amended, in order to establish a retirement and disability system corresponding to that available to Foreign Service Officers for limited numbers of Agency employees.

b. Since all provisions pertaining to the retirement of Foreign Service Officers are not contained in Title VIII of the Foreign Service Act and since it is possible that future amendments relating to retirement may occur elsewhere than in Title VIII, it is necessary to make general provision for the Director of Central Intelligence to adopt provisions of law applicable to Foreign Service Officers for Agency employees. Additionally, most of the basic travel allowances and overseas benefits available to Foreign Service personnel are authorized for Agency employees by existing Section 4 of the Central Intelligence Agency Act of 1949, as amended. However, amendments to the Foreign Service Act over the years have of necessity required the Agency to seek legislation periodically in order to keep such authorities up to date and uniform with those available to Foreign Service personnel. Consequently, it is now proposed that the existing Section 4 of the Central Intelligence Agency Act be rescinded by Section 2 of the proposed bill. In lieu of the rescinded authorities, the new Section 4 of the Central Intelligence Agency Act authorizes the Director to adopt and apply to Agency employees provisions of law applicable to Foreign Service personnel and to exercise with respect to Agency employees the authority available to the Secretary of State for the purpose of having Agency employees accorded appropriate benefits, rights, and allowances now authorized for Foreign Service Officers.

2. Problem

All regular employees of the Central Intelligence Agency are at present covered by the provisions of the Civil Service Retirement Act. Such coverage is appropriate for those whose conditions, obligations, and terms of service are comparable to those of federal employees generally. However, the Agency has a serious problem in its need to make more adequate provision for certain

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GROUP 1. Excluded from automatic downgrading and declassification.

of its employees who should be retired at an earlier age and with a more equitable annuity than can be provided under the Civil Service Retirement Act. This need stems from the fact that the Agency cannot provide to or expect from many individuals in its service a full-term working career of thirty or so years.

3. Background

a. The conditions underlying this situation are complex. For some years, the Agency has recognized that it faces a serious dilemma. On the one hand, the nature of its mission requires the employment of very highly qualified and motivated people and their continuing training and development over the years in highly specialized and esoteric fields of endeavor. In brief, career employment is essential to fulfill the majority of the Agency's requirements for personnel. On the other hand, factors directly related to the nature and conditions of service in foreign intelligence operations and factors affecting the capability and desire of individuals to remain in such work on a long-term basis make it infeasible to provide full-term career employment for all careerists.

b. The nature of the work involved in the Agency's operations requires people who have a high degree of vigor, vitality, endurance, resilience, and adaptability. Such traits are required to cope with the stresses and strains occasioned by uneven and uncertain hours and days of work, duty in unhealthy locations with less than adequate medical facilities, and arduous and, not infrequently, hazardous assignments. In summary, the nature of the Agency's mission requires people who accept the obligation to serve anywhere in the world and to be available for duty on a 24-hour-a-day basis.

d. There are other factors pertaining to the individuals themselves which, over the years, limit their ability and desire to continue in overseas intelligence operations. First, there is "motivational exhaustion." This term is used to describe a gradual lessening of interest and enthusiasm of an officer as a result of impingements on his personal and family life. These stem from

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the transient nature of his assignments, the complications and restrictions of cover and security requirements, and intrusions on his family life occasioned by the requirement that he spend his apparent "leisure time" in performing additional Agency duties after completing his cover workday. Further, while all Agency employees are subject to security restrictions which place severe limitations on their personal freedoms, employees serving abroad are subject to even greater restrictions and, in addition, must conduct their personal affairs in a manner consistent with their cover employment. These factors tend to lessen the enthusiasm and willingness of the family to accompany the officer on further assignments overseas. Lastly, our experience has shown that many employees or members of their families will in time incur physical impediments which limit or preclude further assignment overseas.

e. In addition to providing for separation short of a full-term career for those officers who are affected by the factors described above, the Agency must also be equipped to deal with sudden and sometimes radical shifts in the types of personnel required. These shifts cannot always be met by retraining of personnel whose primary qualifications thus become obsolete or unnecessary and they become "occupationally surplus."

4. Manpower Control

a. The Agency finds it increasingly necessary to impose manpower controls to ensure appropriate alignment as to age, qualifications, and other characteristics of the body of employees engaged in conducting or supporting foreign intelligence operations. Insofar as possible, imbalances should and will be corrected by the reassignment of officers who cannot or should not continue in such work to other fields of work in the Agency. It is a certainty, nonetheless, that encouraged and induced attrition will be necessary. A program of managed attrition, however, is feasible only if it is linked with a system of retirement benefits which are sufficient to induce an employee or a prospective employee to take the risk that he may be one of those individuals who cannot serve a full-term career.

b. The seriousness of this risk to the individual is greatly augmented by the difficulty which he will encounter in effecting a transfer from intelligence operations to other government or commercial fields. The principal reason for this is that the special skills required for intelligence work are not ordinarily required in other fields. Other reasons are the inability of employees for cover and security reasons to describe or confirm to a prospective employer the scope and level of his duties and responsibilities. Further, there is a reluctance on the part of other employers, both government and private, who are engaged in business overseas to hire a former intelligence officer. This reluctance stems from their concern that the attitudes of foreign officials toward their enterprises might be adversely affected if they were known to employ "former spies."

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c. As part of its manpower control program, the Agency has instituted administrative procedures for identifying employees who become surplus to its needs because of the several factors described above and has recently engaged in an exercise which will result in the separation of approximately 150 such individuals. This process was made the more painful because of the relatively inadequate assistance which the Agency could offer those separated in making occupational transfers or in retiring prematurely. The benefits available were limited to those provided under the discontinued service provisions of the Civil Service Retirement Act and to modest separation compensation payments from the Agency related to years of service and salary.

5. Proposed Retirement System

a. In order to minimize the adverse effects of such programs on the Agency's ability to recruit and retain the caliber of personnel needed, and particularly to minimize their effects on the dedicated personnel already in the service of the Agency, better provision must be made for the futures of those individuals who are separated before completing a full-term career. An important means for doing so is to establish a retirement system permitting earlier retirement with a more nearly adequate and equitable annuity than is possible under the Civil Service Retirement System. The Foreign Service system is more suitable for Agency employees whose careers are concerned with intelligence operations. Aside from the additional special requirements of cover and security in CIA, these employees are subject to essentially the same conditions of service which were the basis for the development of the Foreign Service retirement system.

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b. Such a retirement system would not be appropriate for all Agency employees and it is not the Agency's intention in requesting authority to establish such a system to apply it to all employees. The essential criteria for coverage under the proposed retirement system would be as follows:

(1) Career employees whose duties and responsibilities are predominantly concerned with the conduct and support of intelligence operations in foreign countries or with covert support in the United States of such operations under comparable conditions.

(2) Career employees whose duties are so specialized that they are placed at a special disadvantage when required to seek other employment.

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6. Estimated Number of Employees under Proposed System

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b. During the past year the average age of Agency personnel who retired under the Civil Service Retirement System was 66. We hope, in time, to lower the average retirement age of those under the new retirement system to about 55 years which is comparable to the average retirement age in the Foreign Service.

7. Cost Estimates

a. There will be certain increased costs for the administration of the retirement system which will be dependent upon the method by which the system is actually administered. There are two alternative methods of administering the system under consideration but final determination of the method will require further study of the security and other problems inherent in the administration of the program.

(1) The first of these methods would be by satelliting the funding of the program on a current retirement fund. If this method of funding were used it is anticipated that there would be minimum increased costs of administration of the part of the retirement system involved. Internal administration, however, which would involve identification of individuals under either the Civil Service Retirement System or the CIA Retirement System, would require some increased costs within the Agency.

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b. There would be certain increased costs resulting from early retirements and the increased retirement rates granted individuals retiring under the CIA retirement program as opposed to the Civil Service retirement program. The amount of the increased costs during the early years would be quite nominal depending on the number of retirees but would increase as the magnitude of retirements as outlined in paragraph 6 developed.

Honorable Lyndon B. Johnson
President of the Senate
Washington, D. C.

Dear Mr. Johnson:

This letter transmits for the consideration of the Congress a proposed amendment to the Central Intelligence Agency Act of 1949, as amended. The proposed bill permits the Agency to improve its retirement program by authorizing the establishment of a retirement system corresponding to that of the Foreign Service. The Central Intelligence Agency needs to attract and retain a force of highly qualified careerists in spite of its inability in fact to provide full-term careers for many individual officers. In order to minimize the adverse effects of necessary programs of managed attrition and to preserve its ability to recruit and retain the high caliber personnel it needs, the Agency must make reasonable provision for the future of those individuals who must be separated before completing a full-term career of thirty or so years. Therefore, Section 3 of the proposed bill adds a new paragraph (g) to Section 5 of the Central Intelligence Agency Act of 1949, as amended, authorizing the Director of Central Intelligence to exercise the authority available to the Secretary of State under Title VIII of the Foreign Service Act of 1946, as amended, in order to establish a retirement and disability system corresponding to that available to Foreign Service Officers for a limited number of Agency employees.

Since all provisions pertaining to the retirement of Foreign Service Officers are not contained in Title VIII of the Foreign Service Act and since it is possible that future amendments relating to retirement may occur elsewhere than in Title VIII, it is necessary to make general provision for the Director of Central Intelligence to adopt provisions of law applicable to Foreign Service Officers for Agency employees. Additionally, most of the basic travel allowances and overseas benefits available to Foreign Service personnel are authorized for Agency employees by existing Section 4 of the Central Intelligence Agency Act of 1949, as amended. However, amendments to the Foreign Service Act over the years have of necessity required the Agency to seek legislation periodically in order to keep such authorities up to date and uniform with those available to Foreign Service personnel. Consequently, it is now proposed that the existing Section 4 of the Central Intelligence Agency Act be rescinded by Section 2 of the proposed bill. In lieu of the rescinded authorities, the new Section 4 of the Central Intelligence Agency Act authorizes the Director to adopt and apply to Agency employees provisions of law applicable to Foreign Service personnel and to exercise with respect to Agency employees the authority

available to the Secretary of State for the purpose of having Agency employees accorded appropriate benefits, rights, and allowances now authorized for Foreign Service Officers.

We consider enactment of the proposed bill to be essential to the effective performance of our mission and would appreciate early and favorable consideration.

Sincerely,

John A. McCone
Director

Honorable John W. McCormack
Speaker of the House of Representatives
Washington, D. C.

Dear Mr. Speaker:

This letter transmits for the consideration of the Congress a proposed amendment to the Central Intelligence Agency Act of 1949, as amended. The proposed bill permits the Agency to improve its retirement program by authorizing the establishment of a retirement system corresponding to that of the Foreign Service. The Central Intelligence Agency needs to attract and retain a force of highly qualified careerists in spite of its inability in fact to provide full-term careers for many individual officers. In order to minimize the adverse effects of necessary programs of managed attrition and to preserve its ability to recruit and retain the high caliber personnel it needs, the Agency must make reasonable provision for the future of those individuals who must be separated before completing a full-term career of thirty or so years. Therefore, Section 3 of the proposed bill adds a new paragraph (g) to Section 5 of the Central Intelligence Agency Act of 1949, as amended, authorizing the Director of Central Intelligence to exercise the authority available to the Secretary of State under Title VIII of the Foreign Service Act of 1946, as amended, in order to establish a retirement and disability system corresponding to that available to Foreign Service Officers for a limited number of Agency employees.

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available to the Secretary of State for the purpose of having Agency employees accorded appropriate benefits, rights, and allowances now authorized for Foreign Service Officers.

We consider enactment of the proposed bill to be essential to the effective performance of our mission and would appreciate early and favorable consideration.

Sincerely,

John A. McCone
Director

COST ESTIMATES

1. There will be certain increased costs for the administration of the retirement system. For reasons of efficiency and security, it is considered essential that full administration of the program excluding maintenance of the fund by the Department of the Treasury (as required by law in the case of the Foreign Service Retirement Fund) be accomplished within the Agency

2. Program costs cannot be estimated with comparable precision. Nevertheless, reasonably valid estimates have been made on the basis of actuarial experience of the civil service and Foreign Service systems.

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Approved For Release 2004/01/05 : CIA-RDP80B01676R002400030005-0

COMPARISON OF FOREIGN SERVICE RETIREMENT AND DISABILITY SYSTEM WITH PERTINENT PROVISIONS OF THE CIVIL SERVICE RETIREMENT SYSTEM*

(1) Items	(2) CSR	(3) FSR	(4) Section	(5) Comments
A. Coverage.....	Government employees generally, unless temporary, intermittent or subject to another Federal retirement system.	All FSO's, plus non-FSO's who have served as chiefs of mission for an aggregate period of 20 years or more; Foreign Service Staff (FSR) officers and employees with 10 or more years of continuous service in the Foreign Service.	803	Most Staff officers and employees and Foreign Service Reserve officers are presently covered by CSR.
B. Contributions:				
1. Compulsory.....	6½ percent of employee's basic salary. Agency contribution of 6½ percent of employee's basic salary.	6½ percent of employee's basic salary. Agency contribution of 6½ percent of employee's basic salary.	811	FSR same as CSR.
2. Voluntary.....	Maximum 10 percent of total basic salary received since Aug. 1, 1920. Payable in multiples of \$25.	Maximum of 10 percent of total basic salary received since July 1, 1930. Payable in multiples of 1 percent.	-----	Do.
C. Benefits:				
1. Annuity.....	Annuity.—Based on high 5 average years of salary 1½ percent times 5 years, plus 1¾ percent times next 5 years, plus 2 percent times all years over 10 years of creditable service. Annuity not to exceed 80 percent of high 5 average salary.	Based on high 5 average years of salary 2 percent times total number years creditable service not to exceed 35 years.	821	CSR provides maximum 80 percent high 5 average. FSR provides maximum 70 percent high 5 average.
2. Reduced annuities.....	Reduced annuity with benefits to widow or widower. Corresponding benefits to each dependent child.	Surviving children, widowers, and dependent widowers may be included as survivor annuitants.	804	FSR provides survivorship benefits comparable to those of CSR.
3. Survivor annuities: (a) Married participant...	Basic general formula.—Widow or widower (if survivor annuity elected by retiring employee): ½ of all or whatever portion of earned annuity specified as base. Annuity terminates on death or remarriage. Employee's annuity reduced by 2½ percent of 1st \$2,400 of any amount specified as base for survivor benefits plus 10 percent of the amount over \$2,400 up to the full amount of employee's annuity, if specified. Children: A surviving wife or husband: 40 percent of average salary divided by number of children; \$600; or \$1,800 divided by number of children, whichever is lesser. No surviving wife or husband: ¼ average salary divided by number of children; \$720; or \$2,160 divided by number of children, whichever is lesser. Children annuities terminate at age 18 (or on recovery from incapacity after 18), marriage or death. On termination of any child's annuity by death, wife or husband's annuity by death.	Widow or widower (if survivor annuity elected by retiring employee): ½ of all or whatever portion of earned annuity specified as base. Annuity terminates only on death of widow or widower. Employee's annuity reduced by 2½ percent of 1st \$2,400 of any amount specified as base for survivor benefits plus 10 percent of the amount over \$2,400 up to the full amount of employee's annuity, if specified. Children: A surviving wife or husband: 40 percent of average salary divided by number of children; \$600; or \$1,800 divided by number of children, whichever is lesser. No surviving wife or husband: ¼ average salary divided by number of children; \$720; or \$2,160 divided by number of children, whichever is lesser. Children annuities terminate at age 18 (or on recovery from incapacity after 18), marriage or death. On termination of any child's annuity by death, wife or husband's annuity by death.	821	Important difference in the FSR provision is that the annuity of a surviving widow or widower terminates only on death of such survivor.
			-----	FSR same as CSR.
			-----	Do.
			-----	Do.
			-----	Do.

* INFORMATION TAKEN FROM CHART ENTITLED "COMPARISON OF MAJOR PROPOSED CHANGES IN THE FOREIGN SERVICE RETIREMENT AND DISABILITY SYSTEM WITH PERTINENT PROVISIONS OF THE CIVIL SERVICE RETIREMENT SYSTEM" APPEARING IN HOUSE OF REPRESENTATIVES REPORTS NOS. 1890 AND 2104, 86TH CONGRESS, 2D SESSION, FOREIGN SERVICE ACT AMENDMENTS OF 1960.

(1) Items	(2) CSR	(3) FSR	(4) Section	(5) Comments
C. Benefits—Continued	annuities of surviving children are recomputed as though person whose annuity was terminated had not survived deceased employee.	annuities of surviving children are recomputed as though person whose annuity was terminated had not survived deceased employee.		
(b) Unmarried participant.	Person in whom annuitant has insurable interest (if survivorship and reduced annuity elected): $\frac{1}{2}$ of participant's reduced annuity. Retiring employee's annuity reduced 10 to 40 percent depending on difference between his age and age of person designated to receive survivor annuity. Survivor annuity continues for life.	Designated beneficiary: $\frac{1}{2}$ of participant's reduced annuity. Retiring employee's annuity reduced 10 to 40 percent depending on difference between his age and age of person designated to receive survivor annuity. Survivor's annuity continues for life.	821	FSR does not require that the designated beneficiary have an insurable interest.
4. Death in service: (a) Widow-widower.....	Widow or dependent widower: $\frac{1}{2}$ of participant's earned annuity payable until death or remarriage or until widower becomes capable of self-support.	Widow or dependent widower: $\frac{1}{2}$ of participant's earned annuity payable until death of surviving widow or dependent widower or until dependent widower becomes capable of self-support.	832	FSR provides continuation of widow's annuity until death and allows the survivor to receive the annuity based on at least 20 years of service.
(b) Children:	Children: A surviving wife or husband: 40 percent average salary divided by number of children; \$600; or \$1,800 divided by number of children, whichever is lesser. No surviving wife or husband: $\frac{1}{2}$ average salary divided by number of children; \$720; or \$2,160 divided by the number of children, whichever is lesser.	Children: A surviving wife or husband: 40 percent of average salary divided by number of children; \$600; or \$1,800 divided by number of children, whichever is lesser. No surviving wife or husband: $\frac{1}{2}$ average salary divided by number of children; \$720; or \$2,160 divided by the number of children, whichever is lesser.	832	FSR same as CSR.
5. Disability retirement.....	After 5 years of civilian service: Same as full age and service benefit. (Guaranteed 40 percent of average salary or annuity projected to age 60 whichever is lesser.)	Excludes from initial 5 years' free credit granted for military service for which no contribution has been made to the fund. Limits amount of extra service credit that can be accredited to a disability annuitant to the difference between his age at the time of retirement and the mandatory retirement age applicable to his class in the Service.	831	FSR same as CSR.
Elective survivor benefits based on actual years of service credit.	Elective survivor benefits based on actual years of service credit.	Elective survivor benefits based on service credit upon which participant's annuity is computed.	831	FSR provides minimum service credit of 20 years or difference between age of participant at time of retirement and mandatory retirement age, whichever is lesser.
(a) Tax exemption.....	No provision.....	Exempts disability annuity from Federal income tax.	51	FSR provides tax exemptions.
(b) Bar to double annuity	If receiving disability compensation under Federal Employees' Compensation Act, Sept. 7, 1916, is not eligible for annuity for same period but not barred from greater benefit of either act. Also is not barred from receiving annuity under this act by reason of own services while receiving concurrently any payment under Federal Employees' Compensation Act by reason of death of some other person. If awarded lump sum under sec. 17 of FEC, amount covering period beyond effective date of annuity must be refunded to U.S. Employees' Compensation Act.	Same as civil service.....	831	FSR same as CSR.

(1) Items	(2) CSR	(3) FSR	(4) Section	(5) Comments
C. Benefits—Continued				
6. Discontinued service retirement.	ation Commission or be deducted from annuity payments for that purpose. Deferred annuity payable at 62 if separated employee has 5 years of civilian service credit.	Deferred annuity payable at age 60 if separated employee has 5 years of civilian service credit.	834	FSR provides payment of deferred annuity at age 60.
7. Disposition of contributions in excess of benefits received.	If deceased individual's contributions are not returned in the form of annuity (to individual or his survivors), the unreturned contributions must be paid to a designated beneficiary; or in an order of precedence to widow, children, parents, etc.	If deceased individual's contributions are not returned in the form of annuity (to individual or his survivors), the unreturned contributions must be paid to a designated beneficiary; or in an order of precedence to widow, children, parents, etc.	841	FSR aligns precedence provisions with those of CSR.
D. Creditable service:				
1. Leave without pay.....	Includes: Leave of absence without pay granted during covered employment while performing active honorable military service; Leave of absence without pay granted during covered employment while receiving FEC benefits; Civilian employment with District of Columbia government.	Includes: Leave of absence for active military or naval service.	851	FSR same as CSR.
2. District of Columbia employment.	No provision.....	Includes leave of absence granted during covered employment while receiving FEC benefits. Includes civilian employment with District of Columbia government.	-----	Do.
3. Transfer of funds.....		Provides for direct transfer to FSR fund of all regular contributions (with interest) made by officer or employee to other Government retirement system under which previously covered. Funds transfer discharges other system of all benefit obligations based on service involved.	852 852	Do. At present persons becoming participants in FSR system may purchase prior service credit by making a special contribution to FSR fund for such amount of service credit as they elect to purchase. The new provision provides for the automatic transfer of contributions in another Government system to the FSR fund when a person becomes a participant in the FSR system by transfer from other Government service.
E. Officers recalled or reinstated.....	No provision exactly comparable.	Recomputation of annuity of an officer recalled in the Service and retired a second time.	871	
F. Reemployment of annuitants.....	Any annuitant reemployed after retirement for age or based on voluntary separation or an involuntary separation for cause, or if retired for disability and is age 60 or over at the time of reemployment, retains his full annuity, but the salary of his position must be reduced by the amount of annuity received.	Provides that reemployed Foreign Service annuitants receive full salary of the position appointed plus portion of their annuity which when added to the salary would equal the base salary received at time of retirement from the Foreign Service.	872	FSR provides for potential higher combined income for reemployed Foreign Service annuitants and provides authority to reemploy FSO retired for age.

EXAMPLES OF COMPARATIVE ANNUITIES

ATT. 3

CIVIL SERVICE RETIREMENT VS. FOREIGN SERVICE RETIREMENTHigh Five Average Salary \$17,570 (top step GS-17)

Age	Years of Service	Annuity		Increase	
		Civil Service	Foreign Service	Dollars	%
50	20	\$ 5,411	\$ 7,028	\$ 1,617	30%
50	25	6,905	8,735	1,880	27%
55	25	7,713	8,735	1,072	14%
55	30	9,352	10,542	1,160	12%
60	30	9,874	10,542	668	7%
60	35	11,631	12,299	668	6%

High Five Average Salary \$15,030 (top step GS-15)

50	20	4,629	6,012	1,383	30%
50	25	5,906	7,515	1,609	27%
55	25	6,598	7,515	917	14%
55	30	8,026	9,018	992	12%
60	30	8,446	9,018	572	7%
60	35	9,949	10,521	572	6%

High Five Average Salary \$11,935 (top step GS-13)

50	20	3,675	4,774	1,099	30%
50	25	4,690	5,967	1,277	27%
55	25	5,239	5,967	728	14%
55	30	6,373	7,161	788	12%
60	30	6,707	7,161	454	7%
60	35	7,900	8,354	454	6%

High Five Average Salary \$8,860 (top step GS-11)

50	20	2,728	3,544	816	30%
50	25	3,481	4,430	949	27%
55	25	3,889	4,430	541	14%
55	30	4,731	5,316	585	12%
60	30	4,979	5,316	337	7%
60	35	5,865	6,202	337	6%

NOTE: The percentage increase is constant for any particular combination of age and length of service, regardless of the salary level to which it is applied.

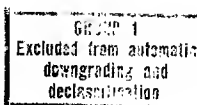
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Agenda for Executive Committee Meeting
Monday, August 13, 1962, 3 p.m.
DCI Conference Room

1. Legislation for Early Retirement.
(A brief summary of where we stand on our effort to get legislation for early retirement, and what we plan to do this week if we get permission to go ahead from the Bureau of the Budget.)
2. National Security Action Memorandum No. 173, "Interdepartmental Field Visits".
(The DCI wants the Executive Committee to consider a paper on this subject prepared by the Department of State (attached) and prepare nominations for the first four team assignments.)
3. Funding of NPIC.
(The question is whether NPIC should be funded exclusively by CIA, or jointly by the participants in NPIC. The Financial Policy and Budget Committee reviewed this matter and recommends that the Executive Committee consider the subject. The Director, NPIC, will be present.)

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112 8/21/1

10 August 1962

MEMORANDUM FOR: DDCI ✓
Executive Director
DD/P
DD/P (SGO)

At the Special Group (CI) meeting yesterday, there was considerable discussion of State's proposal in regard to NSAM 173 (concerning field visits and surveys by interdepartmental teams). A copy of the NSAM and the State paper are attached. In the discussion, General Taylor did not agree with the DCI's opinion that (a) the teams should not be limited to four members, but should include all Agencies with specific interests in the country to be reviewed and that this matter should be decided by the Agencies and not by State; (b) that State should have no veto on the committee membership, but should be privileged to comment if it felt the appointed member lacked seniority and (c) teams should not be given information on CIA covert and clandestine actions.

State is considering asking Ambassador Bunker to head the first team which will assemble 15 August, spend 10 days in indoctrination, then make an on-site study of the Dominican Republic and Colombia reporting back in late September. It is to be noted that the teams must be made up of very senior people. [REDACTED]

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Action: The DCI wants the Executive Committee to consider the State paper and prepare nominations for the first two and possibly four team assignments.

[REDACTED]

H. Knoche

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The White House
Washington

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July 18, 1962

NATIONAL SECURITY ACTION MEMORANDUM NO. 173

TO: The Secretary of State
 The Secretary of Defense
 The Attorney General
 The Chairman, Joint Chiefs of Staff
 The Director of Central Intelligence
 The Administrator, Agency for International
 Development
 The Director, United States Information Agency
 The Chairman, Special Group (Counterinsurgency)

SUBJECT: Interdepartmental Field Visits

I feel that there is a need for accelerating our programs for under-developed countries and for effecting a closer tie between the Country Team planning in these areas and the Washington departments which participate in these programs. It would seem to me that the technique of interdepartmental team visits used last fall in South Viet-Nam and early this year in certain Latin American countries could be broadened and applied to this requirement.

To this end, I would like to have organized a program of field visits by senior interdepartmental teams, under State Department chairmanship, to a number of selected countries, with particular attention to Latin America. These teams would consult with the Ambassador, his staff and local officials, would review the Country Team plans, and would form a judgment as to their adequacy, their consistency with United States objectives, and the reliability of the intelligence upon which they are based. Upon return to Washington, the teams would submit appropriate recommendations to me, through the Secretary of State, for strengthening United States activities in the countries visited which, when approved, would receive the same kind of intensive implementation as that being accorded the current South Viet-Nam program.

I would like the Secretary of State, in consultation with the Special Group (Counterinsurgency) to initiate as a matter of urgency a program of visits of the kind outlined above.

/s/ John F. Kennedy

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August /, 1962

MEMORANDUM FOR: Special Group (Counter-Insurgency)

SUBJECT: Interdepartmental Field Visits

In response to the President's National Security Action Memorandum No. 173, the Department of State has undertaken to organize Interdepartmental Teams for the purpose of implementing the President's directives. The purpose of this memorandum is to outline the course of action which the Department of State proposes.

Objectives of the Survey

The State Department views the objectives of the proposed surveys as follows:

1. to ascertain whether our country team plans are adequate to meet existing conditions, are consistent with our national interests and policy objectives, and are based upon reliable intelligence.
2. to ascertain whether US Government officials under the leadership of the Ambassador, are pursuing the country team plans aggressively and effectively enough. (for example, given the local situation, is there adequate contact with youth, labor, opposition and other outside-government groups as well as with Government circles.)

3. to ascertain

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3. to ascertain whether the Ambassador is fulfilling his role as leader of the country team, is familiar with all country team programs, and is thoroughly aware of all policy directives from Washington to country team members.

4. to ascertain the "total image" of the country team operation in the country under survey, including the standing of the Ambassador and the country team in the local community.

In pursuing the foregoing objectives, the survey teams will make a detailed analysis of the total American operation in the countries under survey and will attempt, whenever possible, to apply a standard set of criteria for the assessment of all information gathered. The teams will consult with the Ambassador and his staff, as well as with foreign nationals and Americans resident in the countries under survey.

Composition and Size of Survey Teams

The peculiar circumstances existing in the countries to be surveyed will govern both the composition and size of each team. The teams will be chaired by representatives of the Department of State who have had experience with the problems of underdeveloped countries. In addition to the Department of State, the Department of Defense, A.I.D., USIA, CIA and other agencies will be represented as appropriate to the conditions in a given country. From time to time a public member may be added. In no case is it anticipated that any team will consist of more than four members plus an executive assistant from the Department of State.

The Department

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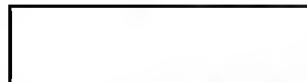
The Department of State will decide which agencies are to be represented on each team and will then request those agencies to name individuals who could serve, reserving the right to reject any nomination which, in the judgment of the Department of State, would not further the basic objectives of the team. It is anticipated that other agencies will nominate high-level officials who have broad experience with developing countries.

The team will operate as a unit. Each member of the team will consider himself responsible for an evaluation of the whole country team program in a given country and not merely for that portion pertaining to the normal function of the agency he represents.

Countries to be Visited and Operating Procedures of the Team

The first countries to be visited will be the four Latin American countries of the Dominican Republic, Colombia, Brazil and Argentina. Further visits will be planned to other developing countries in which the United States has a special interest.

Before each team goes into the field, it will be thoroughly briefed on all matters relating to the countries to be surveyed. The executive director of the team will acquire and disseminate to the members of the team all reports, studies and directives which have any bearing on the American operation in the countries to be visited. These documents will include, but not be limited to, the ENSP paper, all outstanding policy guidelines, Department of State Collection Guides and Requirements, Military Collection Guides and Requirements, Descriptions of USIA, A.I.D. and MAP Programs,



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At the conclusion of each field visit, the team will return to Washington and write its report for the Secretary of State. The report, pursuant to the directive contained in NSAM No. 173, will be forwarded by the Secretary of State to the President. The report will contain both an analysis of the situation existing in the countries under survey and specific action recommendations. Periodic reports concerning the implementation of approved recommendations will be made to the President through the Secretary of State by the Department of State and other Departments and Agencies having responsibility for such implementation.

The Latin American Project

The first team will visit the Dominican Republic and Colombia. In addition to a representative from the Department of State, the team will consist of high-level representatives from the Department of Defense, CIA, and A.I.D.

The schedule for the first team is as follows:

August 15-25 - The team will engage in extensive briefing on the countries to be visited.

By September 1 - The team will depart for the Dominican Republic (or Colombia).

No later

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No later than October 1 - The team will return to Washington and commence the preparation of its analysis and recommendations.

By October 10 - The report will be submitted to the Secretary of State for transmittal to the President.

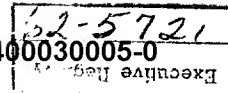
A second team will begin its briefing during the first week of September and will depart for Brazil and Argentina approximately the middle of September.

Dean Rusk

Dean Rusk

AUG 10

4 52 PM



10 AUG 1992

MEMORANDUM FOR: Executive Director

SUBJECT : Funding of NPIC

25X1 1. At a recent meeting of the Financial Policy and Budget Committee, the question of future funding of NPIC was discussed. The Committee had before it a memorandum from Mr. Lundahl based to a considerable degree on the findings of a review conducted by a committee, of which [redacted] was the Chairman. Mr. Lundahl's conclusions were substantially to the effect that it would be impractical to look to the Defense Department for a proportionate increase in the numbers of personnel or in the funds which the Defense Department now contributes to the support of NPIC. Substantially, all of the personnel employed in NPIC, with the exception of PI technicians, are supplied by CIA and the Agency pays substantially all of the dollar costs of the institution.

25X1 2. There is a split in the Committee as to whether or not the Department of Defense should pay up to one-half of the costs of NPIC and contribute up to one-half of the support personnel. This would

[redacted]

3. I have discussed this matter briefly with Gen. Carter and he has requested that it be scheduled for discussion with the Executive Committee.

[redacted]

JOHN A. BROSS
Comptroller

cc: Mr. Sheldon

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68-63-508

NPIC/D-130-62
30 July 1962

MEMORANDUM FOR: Assistant Deputy Director (Intelligence)

SUBJECT: Comments on Proposal for Joint Funding of
National Photographic Interpretation
Center Budget

1. The subject of joint budgeting or joint funding of NPIC by CIA on the one hand and DOD as represented by DIA on the other has been under continuous and constant discussion since January of this year when the question was raised by the Bureau of the Budget. The pertinent facts concerning this matter were explored in depth, in March, by a committee consisting of [redacted] representing CIA, [redacted] representing DIA and [redacted] representing NPIC and these facts, along with appropriate discussion, conclusions and recommendations, were set forth in writing during the latter part of March. The staff study was considered by the senior levels of this Agency and DIA and, to the best of my knowledge, its principal conclusions and recommendations were accepted.

2. Frankly, there is little or no new information to be added to the facts which were gathered at that time. It has been and continues to be my view that the Director of Central Intelligence can best be assured of highest quality, timely, continuous, and uninterrupted production from this activity by retaining the maximum management control under the aegis of the Central Intelligence Agency. A diffusion of funding and personnel assignment responsibilities can only serve to magnify our management, control and production problems at a time when we are forced to exert continuously our maximum effort to process the volume and maintain the quality standards required to properly service the intelligence community.

3. We are willing and indeed anxious to have DOD supply the Center with trained photo interpreters and technical personnel. For Fiscal Years 1963 and 1964 we have asked the military services to match the CIA contribution of trained PIs to be assigned to the national production effort and we are always delighted to bring in skilled technical personnel for our development programs. These people, however, are difficult to find and hard to retain. The notion that the Services have carloads of them ready to pour into NPIC is a false one. Many of the best qualified PIs the Services possess are already at work in the Center.

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GROUP 1
Excluded from automatic
downgrading and
declassification

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SUBJECT: Comments on Proposal for Joint Funding of
National Photographic Interpretation
Center Budget

4. In terms of staffing the support services, i.e., mensuration, plotting, editorial, graphics, photographic laboratory, printing, reproduction, etc., we have not encouraged heavy DOD participation. Our success to date, measured both qualitatively and quantitatively, has been due in large measure to the corps of trained, seasoned, highly dedicated support personnel who have worked impossible hours over long periods in order to get the work out and keep the quality up. They feel themselves a very important and permanent part of this vital business and will do whatever is necessary to ensure that its product is the finest. To intersperse among them at all levels rotating military personnel who cannot possibly have the long term interest or dedication to the work that these people have is to invite a general weakening and softening of our capability. Furthermore, as in the case of the PIs, these people are not easy to locate in the military services.

5. Through the staff study, which I mentioned in my first paragraph, and subsequent discussions, we have evolved with DIA an understanding of the type of support I feel we need from them. This pattern of CIA and DIA providing equal numbers of photo interpreters for national work and CIA providing the support services on a common concern basis is the one, which in my judgement, will maximize our efficiency and ability to deliver over the long run and I urge that you and the Financial Policy and Budget Committee support this position.

6. I am aware, of course, of the problems you and the Committee face in trying to fit the many Agency programs into a levelled off or reduced funding package but I must point out that by the same token it becomes increasingly difficult for us in the Center to engage in realistic forward planning and negotiating with DIA when we can get no firm idea of what the CIA commitment and role is to be. While the costs of the Center are rising they are still small in comparison with funds expended for collection or the funds expended by the military in such exploitation operations as FTD, ACIC, AMS, and SAC. The "paper saving" of several millions of dollars on the Agency's budget which could be brought about by adopting a joint funding and staffing concept could prove to be a false economy over the long haul.

[Redacted Signature Box]

ARTHUR C. LONDAHL

Director

National Photographic Interpretation Center

Enclosures:

Staff Study

Personnel & Funding Statistics

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MEMORANDUM FOR: Comptroller, DIA
Acting Comptroller, CIA

SUBJECT : Study Group Report on Joint CIA/DIA
Financial Support to NPIC

Attached herewith is the report of the CIA/DIA/NPIC Study Group on the subject of CIA/DOD financial support to NPIC. It is recommended that this report be approved by appropriate authority of CIA and DIA, and that the recommendations contained therein be accepted as the joint CIA/DOD position on the subject in subsequent discussions with the Bureau of the Budget.


Budget Officer

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Attachment

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~~SECRET~~**A. Problem:**

What basis exists for a greater sharing by the DOD of financial responsibility for the National Photographic Interpretation Center?

B. Background:

1. The Deputy Director, Bureau of the Budget, in a letter dated 9 January 1962 to the Director, Central Intelligence, stated, "Although FY 1963 requirements for NPIC are fully funded in your budget, discussions with the Department of Defense should be initiated soon with a view to achieving a greater sharing of financial responsibility in the future."

It is reported that the Bureau of the Budget feels a direct DOD financial contribution to NPIC costs would have the effect of underlining in the Department of Defense and CIA the "National" character of NPIC and thus act as a deterrent to any possible duplication of NPIC activity by other Department of Defense agencies.

2. In a 5 March 1962 meeting of DOD/CIA officials, it was agreed that a study should be prepared as a basis for further discussions of the problem with BOB officials. This is that study.

C. Facts Bearing on the Problem:

1. NSCID #8 (TAB A) states that "A National Photographic Interpretation Center (NPIC) shall be provided as a service of common concern by the Director of Central Intelligence in consultation with the interested members of the USIB" and that "The Intelligence Board departments and agencies engaged in photographic intelligence production shall jointly provide appropriate personnel and other support for the Center, as agreed by them with the Director of Central Intelligence. Such supporting personnel shall be functionally under the direction of the Director, NPIC, for joint activities, but shall remain administratively responsible to their parent organizations."

2. Consistent with paragraph C.1., the Services are each committed to provide and pay for 25 personnel assigned to NPIC. (See letter from [] to the Director, CIA (USIB-D-69.2/3) and subsequent amendment thereof, TAB B.) This force presently is made up of about sixty photo interpreters and a small cadre of supervisory and support personnel. Assuming no change in numbers of DOD personnel, estimated costs to DOD in furnishing these personnel for FY 1963 are \$724,500*.

* Schedule of Military Reimbursement used in preparation of CIA FY 1963 Estimate (3 officers in Grade O-5 @ \$11,100 and 72 officers or civilians in Grade O-4 or GS equivalent @ \$9,600.)

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C. Facts Bearing on the Problem: (Cont'd)

intelligence, etc. without which the PI activity could not take place.)

11. Looking to the future considerable augmentation of CIA photo interpretation personnel is planned, but there is currently no corresponding plan for additional DOD photo interpretation personnel.

D. Discussion:

1. The foregoing facts point up the joint operating posture that NPIC has assumed since its inception. They further highlight that DOD is a fully active participant in the Center. However, there is not now in operation any system for proportionate distribution of NPIC costs between CIA and DOD. On the other hand, there is no indication in NSCID #8 that a division of costs was contemplated or expected except those resulting from the supply of personnel by DOD to NPIC and such other "support for the Center as agreed...."

2. Several approaches have been considered by the study group in seeking a rational cost distribution in which DOD could assume a greater share of financial responsibility for NPIC.

(a) An examination of costs of NPIC by object was made in an effort to determine whether there existed any allocation of responsibility to contributors which would logically permit an assignment of budget responsibility by object class cost. It was determined that object class per se did not lend itself to a formula for determining distribution shares of NPIC cost.

(b) A review of the requirements levied on the Center by consumers was considered as a possible yardstick for division of costs. This approach was rejected on several grounds, the principal one being that requirements vary across time as to numbers and quantity and quality of work involved. Also, the element of mutual interest in a given requirement is not divisible.

(c) A review of departmental support (a secondary function of the Center) was made to ascertain whether such support would provide some meaningful basis for allocating the expenses of the Center, CIA vis-a-vis DOD. The lack of a sophisticated cost analysis system alone makes it impossible to adopt this approach without delving into the other problems inherent in such an attempt.

3. Under present concepts (C.1. above) a greater sharing by DOD of financial responsibilities for the NPIC could be accomplished

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D. Discussion: (Cont'd)

indirectly by increasing the percentage of personnel from DOD payrolls. It is assumed that DOD will continue to provide a substantial number of photo interpretation and a few key technical personnel to the Center and that the actual number may be adjusted upward if requirements so dictate.

Since the more significant portion of the NPIC OI cost is involved in support personnel rather than photo interpreters, an examination was made of the possibility of an increase in DOD contribution in the staffing of support activities. It was determined that in a few support activities DOD paid personnel could be absorbed in small numbers by NPIC, e.g., key supervisory positions, or Graphics Section of the Publications Division, etc. However, as a general matter, the mixing of DOD payroll personnel with CIA payroll personnel in support areas of NPIC would create serious management problems and impair the efficiency of operation that results where support personnel are provided from a single payroll source. On review of the factors involved in this approach, the study group concluded that the current organizational concepts (paragraph C.7. above) calling for support personnel to be provided primarily from CIA payrolls should be continued. The management of NPIC believes that CIA can provide the necessary support personnel. However, the door should be left open for augmentation by DOD, not as a method of splitting the funding but as a method of obtaining qualified personnel should CIA sources not be able to provide them.

4. The study group reviewed the feasibility of applying an across-the-board percentage approach to the division of NPIC costs. Several related considerations bearing on this approach presented themselves as important items for comment in subsequent discussions with the BOB.

(a) The nature of the photographic intelligence material being received in the Intelligence Community dictates multiple exploitation for a variety of purposes. These involve numerous approaches by such organizations as ACIC, AMS, SAC, FTD, and NPIC. Considerable direct benefits accrue to all members of USIB from each of these efforts. Likewise, there are also many indirect benefits derived from the over-all and varied approaches to the source, specifically in R&D, equipment development, etc. It is suggested that the totality of exploitation by all organizations tends to offset and balance any contribution by one single organization. Looking at the problems posed in this paper, from this over-all context, NPIC represents but a small part of the Intelligence Community total investment in organizations exploiting the source data. (This does not take into account collection costs.) The greater portion of over-all exploitation cost is provided by the Department of Defense.

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D. Discussion: (Cont'd)

(b) The DIA charter assigns clear responsibility to DIA to plan, coordinate, and manage Department of Defense intelligence activities so as to achieve efficiency and economy. The Bureau of the Budget proposal for joint budgeting for NPIC neither aids nor restricts the fulfillment of the aforementioned DIA responsibility.

(c) There exists precedent in the Intelligence Community for joint Center operations without budgetary division, e.g., [redacted] National Indications Center, Coordination Staff of the DCI, etc. While it is recognized these functions are not in the size or the magnitude of NPIC, the principle governing this community relationship maintains a precedent for the current practices at NPIC. Also, there exists precedence for a single Agency providing the total funding for a "service of common concern" (i.e., [redacted])

6. Assuming a decision is made, nevertheless, to apportion costs between CIA-DOD on some arbitrary basis such as a 50-50 split, the study group found no serious administrative problems in joint budgeting or in security thereof. It is felt that a budget can be developed within NPIC satisfactory to both CIA and DOD. However, ground rules for the administration of the funds would need to be defined and worked out jointly. Under present organizational arrangements, the Deputy Director of NPIC is also the principal DIA representative to the Center and as such could be fully involved in both the formulation and execution of the NPIC programs and budgets. It is noted that in meetings referenced B.2. above, it was agreed by CIA/DIA representatives that under whatever arrangement evolved NPIC would continue to be administered by CIA through the Director, NPIC, with DOD providing its share as a reimbursement and/or advance to CIA.

7. As regards hearings before the Appropriations Committee, that portion of NPIC costs contained in the DOD budget would be handled on a classified basis, and any required elaboration and/or further justification for the NPIC item can be handled, as appropriate, by the Comptroller, DIA, with members of the Appropriations Committee who now review the CIA budget.

E. Conclusions:

1. That NPIC is substantively operating as a "National" Center with full DOD participation in compliance with the intent and method prescribed in NSCID #8.

E. Conclusions: (Cont'd)

2. That no accurate method exists for determining a fair division of costs for NPIC between or among the participants at the Center.
3. That there appear to be no advantages which accrue to the substantive joint operations of NPIC by increasing the DOD share of cost responsibility for NPIC.
4. That limited increases in the DOD contribution can be made by the assignment of additional DOD paid personnel in the PI and technical fields. Substantial increases can only be achieved by adopting a total joint staffing concept for all activities of the Center and this approach has significant offsetting disadvantages.
5. That an arbitrary division of total cost on a 50-50 basis can be undertaken without any hampering administrative, budgetary, or security factors.

F. Recommendations:

1. That there be no change in current budgeting policy for the NPIC.
2. That CIA continue to provide the bulk of the personnel for the support activities.
3. That additional sharing by DOD of NPIC costs be provided indirectly as required primarily in the form of additional personnel for substantive activities.

Date

Central Intelligence Agency

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Date

National Photographic Interpretation Center

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Date

Colonel, Corps of Engineers
(representing DIA)

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